



PRESS RELEASE

Regulated information

Financial Results for the year ended 31 December 2022

Lagos, 30 January 2023 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its unaudited results for the year ended 31 December 2022.

Highlights

- Revenue of ₦109 billion, 8% higher as a result of topline growth in all segments apart from Packaged Food and Beverages (-1.7%). Animal Feeds and Other Edibles (+5.0%), Paints (+25.1%), and Quick Service Restaurants (+39.3%).
- Gross profit 13% lower at ₦15 billion impacted by rising input costs; Gross margin compressed 337 bps to 13.9%.
- Operating loss of ₦1.3 billion compared to operating profit of ₦5.0 billion in 2021. Performance was impacted by:
 - ₦3.6bn operating loss from the Animal Feeds and Other Edibles segment which more than offset the ₦3bn operating profit from the Paints segment.
 - Significantly higher electricity and power (+₦2bn) and distribution costs (+₦2bn) across the UAC group.
 - Unrealised fair value loss of ₦676mn recognized on investment properties at the holding company.
 - In 2021, the holding company recognized a one-off dividend as well as a fair value gain post unbundling the UPDC Real Estate Investment Trust (“UPDC REIT”) (₦569mn) which impacts year on year comparison.
- Loss before tax of ₦3.4 billion. Profitability was further impacted by finance costs (500bps interest rate increase YoY).

Strategic Initiatives

- Completed groupwide ERP implementation to SAP S/4 Hana (a ₦2.5bn investment) focused on enhancing controls.
- ₦2.8bn invested to increase SWAN spring water capacity 3x.
- Invested ₦1.2bn expanding the Mr Bigg’s and Debonairs Pizza restaurant network.

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: “Our profitability was negatively impacted by losses in our animal feeds segment, which more than offset contributions from other segments. Our businesses grappled with escalating costs particularly energy, distribution, and finance costs which negatively impacted performance. Tighter working capital management resulted in ₦10.7bn free cash flow across the UAC Group. We will execute growth initiatives with caution until macroeconomic conditions improve.”

Group Highlights

In million ₦, unless otherwise stated	Q4 2022	Q4 2021	Δ %	FY 2022	FY 2021	Δ %
Revenue	31,412	30,009	4.7%	109,217	101,377	7.7%
Gross Profit	2,897	5,182	(44.1%)	15,216	17,540	(13.2%)
Gross Profit Margin (%)	9.2%	17.3%	(804 bps)	13.9%	17.3%	(337 bps)
Selling and Distribution Expenses	(2,270)	(1,803)	25.9%	(8,466)	(6,346)	33.4%
Administrative Expenses	(2,411)	(2,543)	(5.2%)	(8,893)	(8,500)	4.6%
Operating Expenses	(4,680)	(4,345)	7.7%	(17,359)	(14,846)	16.9%
Operating Expenses (% of revenue)	14.9%	14.5%	42 bps	15.9%	14.6%	125 bps
Other Income	(240)	1,950	(112.3%)	878	2,320	(62.1%)
Operating (Loss)/Profit	(2,023)	2,787	(172.6%)	(1,265)	5,014	(125.2%)
Operating (Loss)/Profit Margin (%)	(6.4%)	9.3%	(1,573 bps)	(1.2%)	4.9%	(610 bps)
Net Finance (Cost)/Income	(471)	227	n/m	(2,286)	(10)	n/m
Share of Profit/(Loss) of Associates	143	(283)	n/m	105	(895)	n/m
(Loss)/Profit Before Tax	(2,351)	2,731	(186.1%)	(3,446)	4,108	(183.9%)
(Loss)/Profit Before Tax Margin (%)	(7.5%)	9.1%	(1,658 bps)	(3.2%)	4.1%	(721 bps)
(Loss)/Profit After Tax From Continuing Operations	(2,693)	2,024	(233.1%)	(4,676)	2,589	(280.6%)
Loss After Tax from Discontinued Operations	-	-	n/a	(26)	(2)	1135.2%
(Loss)/Profit for the period	(2,693)	2,024	(233.1%)	(4,702)	2,587	(281.7%)
(Loss)/Profit Margin (%)	(8.6%)	6.7%	(1,532 bps)	(4.3%)	2.6%	(686 bps)
Basic (Loss)/Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	(74)	66	(212.1%)	(120)	(63)	90.5%
From Discontinued Operations (Kobo)	-	-	n/a	(1)	-	n/a
For the Period (Kobo)	(74)	66	(212.1%)	(121)	(63)	92.1%
Return on Equity (ROE)			-	(8.5%)	3.9%	(1,241 bps)
Return on Invested Capital (ROIC)			-	(2.6%)	8.0%	(1,057 bps)

n/m: not meaningful.

	Dec-22	Dec-21	Δ
Quick Ratio	0.6x	0.5x	0.1x
Current Ratio	1.1x	1.3x	(0.2x)
Gearing	42%	39%	267 bps
Total Assets / Equity	2.1x	1.9x	0.2x
Net Debt / EBITDA	1.0x	1.1x	(0.1x)
Free Cash Flow	10,652	(19,073)	29,725

Significant transactions / new developments

The following are responsible for key differences when comparing performance in FY 2022 compared to FY 2021:

1. In September 2021, UAC acquired Tiger Brands Limited's minority shareholding (49%) in UAC Foods Limited (UFL) for a cash consideration of ₦3.92billion. Consequently, UFL is now a wholly owned subsidiary of UAC and the total profit attributable to equity holders of UFL for FY 2022 was recognised by UAC versus FY 2021 where 51% of UFL's profit was recognised for 8 months and 100% of its profit was recognised for 4 months.
2. In June 2022, UAC increased its stake in Chemical and Allied Products PLC (CAP PLC) by 1.31% to 57.85%.
3. UAC's issued share capital increased by 44,835,076 ordinary shares to 2,926,131,656 as a result of the scrip dividend.

Group Performance and Financial Review: FY 2022

Revenue in FY 2022 increased 8% YoY to ₦109 billion supported by sales growth in the Animal Feeds and Other Edibles, Paints and Quick Service Restaurants segments. Animal Feeds and Other Edibles segment (+5% YoY) driven by price increases taken to offset rising raw material costs, Paints segment (+25% YoY) on account of price increases and retail expansion, and the Quick Service Restaurants segment (+39% YoY) driven by increase in company-owned restaurants (corporate stores). The Packaged Food and Beverages segment revenue declined 1.7% YoY, impacted by lower volumes and supply constraints.

Gross profit in FY 2022 was 13.2% lower YoY to ₦15.2 billion and gross profit margin contracted by 337 basis points to 13.9%. Margin contraction was largely a result of rising raw material costs across all businesses.

Operating loss was ₦1.3 billion in FY 2022 (2021: operating profit of ₦5bn). The decrease is attributable to the poor performance in our Animal Feeds and Other Edibles businesses, as well as increased operating expenses across all businesses particularly power costs and distribution costs. In 2021, the holding company recognized a one-off dividend as well as a fair value gain post unbundling the UPDC REIT (totalling ₦569mn) which impacts year on year comparison.

The Group recorded higher **net finance costs** on account of higher interest rates, impacted by the 400bps increase in the monetary policy rate, and increased short-term borrowings in the Animal Feeds and Other Edibles, Paints and Packaged Food and Beverages segments.

Share of profit from associate companies (UPDC and MDS Logistics) was ₦105 million, compared to the share of loss from associate companies of ₦895 million in FY 2021. **Loss before tax** was ₦3.4 billion compared to ₦4.1 billion profit before tax recorded in FY 2021. **Loss after tax from continuing operations** was ₦4.7 billion compared to a profit after tax of ₦2.6 billion in FY 2021. **Total loss for the period** was ₦4.7 billion in FY 2022 impacted by a ₦26 million expense incurred as part of the voluntary winding up process of UNICO CPFA Limited, a discontinued operation.

Loss per share was 121 kobo in FY 2022 compared to 63 Kobo earnings per share recorded in FY 2021.

Free Cash Flow for the period was ₦10.7 billion in FY 2022, compared with negative ₦19.1 billion in December 2021, due to improved working capital management in FY 2022.

Return on Equity from continuing operations at for FY 2022 was a negative 8.5%, compared to a positive 3.9% in FY 2021. **Return on Invested Capital (ROIC)** was 1,057 basis points lower at a negative 2.6% (FY 2021: positive 8.0%).

Group Performance and Financial Review: Q4 2022

Revenue in Q4 2022 increased 4.7% Quarter on Quarter (QoQ) to ₦31.4 billion. The Animal feeds and Other Edibles segment, Paints segment and the Quick Service Restaurant segment recorded strong topline growth of 7.7%, 19.3% and 53.9% respectively when compared to Q4 2021. Revenue growth in the Animal feeds and Other Edibles segment was driven by price increases taken to offset rising raw material costs, Paints segment was driven by volume growth, price increase and retail expansion while revenue growth in the Quick Service Restaurant segment was driven by the increase in the number of company owned stores.

Gross profit was 44.1% lower QoQ at ₦2.9 billion and gross profit margin contracted by 804 bps to 9.2%.

Operating loss was ₦2 billion in Q4 2022, compared to operating profit of ₦2.8 billion recorded in Q4 2021, driven by gross profit underperformance in the Animal Feeds and Other Edibles, Packaged Foods and Beverages and Quick Service Restaurant segments, increase in selling and distribution expenses, and the recognition of fair value loss on investment properties at the holding company compared with a fair value gain in Q4 2021.

The Group recorded a **net finance** cost of ₦471 million in Q4 2022 compared with a net finance income of ₦227 million in Q4 2021, on account of higher interest rate on short-term borrowings in the Animal Feeds and Other Edibles segment and Packaged Food and Beverages segment, and increased borrowings in the Paints segment.

Share of profit from associate companies of ₦143 million was recorded in Q4 2022, compared to the share of loss from associate companies of ₦283 million in Q4 2021.

Loss before tax was ₦2.4 billion, compared to a profit before tax of ₦2.7 million in Q4 2021. **Loss after tax from continuing operations** was ₦2.7 billion compared to a profit after tax of ₦2 billion in Q4 2021. **Total loss** for the quarter was ₦2.7 billion. **Loss per share** was 74 kobo compared to the earnings per share of 66 kobo in Q4 2021.

Segment Performance¹

Revenue (% and ₦m)	Q4 2022	Q4 2021	Δ %	FY 2022	FY 2021	Δ %
Animal Feeds and Other Edibles	20,375	18,927	7.7%	65,857	62,711	5.0%
Paints	6,148	5,153	19.3%	19,208	15,355	25.1%
Packaged Food and Beverages	5,133	5,932	(13.5%)	23,348	23,751	(1.7%)
Quick Service Restaurants	931	605	53.9%	3,075	2,208	39.3%
Earnings /(Loss) before Interest & Tax – EBIT (₦m)	Q4 2022	Q4 2021		FY 2022	FY 2021	Δ %
Animal Feeds and Other Edibles	(1,913)	820	(333.3%)	(3,621)	2,541	(242.5%)
Paints	1,234	732	68.6%	3,115	1,440	116.3%
Packaged Food and Beverages	(419)	386	(208.7%)	116	1,393	(91.7%)
Quick Service Restaurants	(177)	(372)	(52.4%)	(613)	(525)	16.6%
Profit/ (Loss) Before Tax – PBT (₦m)	Q4 2022	Q4 2021		FY 2022	FY 2021	Δ %
Animal Feeds and Other Edibles	(2,580)	465	(655.1%)	(5,950)	1,195	(597.7%)
Paints	1,140	840	35.7%	3,093	1,693	82.6%
Packaged Food and Beverages	(450)	467	(196.3%)	27	1,452	(98.1%)
Quick Service Restaurants	(234)	(326)	(28.1%)	(781)	(509)	53.5%

¹ Performance of the corporate head office not included in the table as it is not allocated to any segment

Animal Feeds and Other Edibles

FY 2022

Revenue increased 5.0% YoY to ₦65.9 billion in 2022 (2021: ₦62.7 billion) on account of price increases across all product categories (poultry feeds, fish feed, oils, and concentrates) in response to escalating costs.

The segment recorded an operating loss of ₦3.6 billion in FY 2022 (FY 2021: operating profit of ₦2.5 billion) on account of lower sales volumes, higher raw materials and conversion costs, and increased operating expenses YoY. The businesses in this segment have embarked on operational improvements by implementing cost-saving initiatives focused on reducing distribution expenses and also intend to improve sales by reducing the turnaround time for production and dispatch.

The segment recorded a ₦6.0 billion loss before tax in FY 2022 compared to a ₦1.2 billion profit before tax in FY 2021, impacted by gross profit under-performance, higher finance costs and increased operating expenses.

People update: Dr. Vitus Ezinwa, Chief Operating Officer of UAC, was appointed Managing Director of Grand Cereals Limited effective 6 July 2022 following the resignation of the former Managing Director, Mr. Alex Goma.

Q4 2022

Revenue from the segment remained increased 7.7% YoY to ₦20 billion supported by price increases which offset lower volumes. Operating loss was ₦1.9 billion (Q4 2021: operating profit of ₦820 million), driven by gross profit underperformance and higher operating expenses. Margin contraction was the direct result of rising raw material costs such as maize and soya beans. The segment recorded a ₦2.6 billion loss before tax in Q4 2022 compared to a ₦465 million profit before tax in Q4 2021, impacted by higher finance costs.

Paints

FY 2022

Revenue growth of 25.1% YoY to ₦19.2 billion in FY 2022 (FY 2021: ₦15.4 billion) supported by retail expansion through opening of new stores and price increases. Operating profit was 116.3% higher at ₦3.1 billion supported by topline growth as well as cost-saving initiatives and operational improvements post the merger of CAP PLC and Portland Paints and Products Nigeria PLC in 2021. Profit before Tax was ₦3.1 billion in FY 2022, 82.6% higher than the ₦1.7 billion recorded in 2021.

Q4 2022

Revenue growth of 19.3% YoY to ₦6.1 billion in FY 2022 (FY 2021: ₦5.2 billion) supported by increased volumes and prices for Dulux and Sandtex Decorative, Caplux, and Sandtex Industrial. Operating profit was 68.6% higher at ₦1.2 billion as pricing initiatives and operational efficiencies offset increase in raw material cost and operating expenses. Profit before Tax was ₦1.1 billion in Q4 2022, 35.7% higher than the ₦840 million recorded in Q4 2021.

Packaged Food and Beverages

FY 2022

Revenue declined 1.7% YoY to ₦23.3 billion in FY 2022 (FY 2021: ₦23.8 billion) as a result of lower sales volumes impacted by price increases across all product categories (snacks +53%, water +21%, and dairies +37%) and supply constraints. Water revenue (+7% increase) was supported by price increases but faced supply constraints. Investments in cold chain infrastructure to deepen distribution and refreshed branding for Supreme ice-cream further supported dairies 29% revenue growth YoY. The Snacks category recorded a 12% decline in revenue.

Operating profit declined by 91.7% in 2022 to ₦116 million (2021: ₦1.4 billion) impacted by higher input costs, increased operating expenses particularly significant increases in distribution costs and energy costs due to higher diesel price impacting haulage rates. Profit before tax decreased to ₦27 million compared to ₦1.5 billion in 2021.

People update: Dr. Dele Ajayi, the Managing Director of UAC Foods Limited, retired in December 2022.

Q4 2022

Revenue decreased 13.5% in Q4 2022 to ₦5.1 billion (Q4 2021: ₦5.9 billion) due to decline in volumes across snacks, dairies and water categories. Operating loss of ₦419 million was recorded in Q4 2022 (Q4 2021: ₦386 million operating profit), impacted by higher input costs and increased operating expenses. Loss before tax was ₦450 million in Q4 2022, compared to a profit before tax of ₦467 million recorded in Q4 2021.

Quick Service Restaurants (QSR)

FY 2022

Revenue increased 39.3% YoY to ₦3.1 billion in FY 2022 (FY 2021: ₦2.2 billion) driven by growth in sales of company-owned restaurants (corporate stores) and improved performance of the central kitchen. The segment recorded a ₦613 million operating loss in FY 2022 (FY 2021: ₦525 million loss) impacted by higher cost of sales which was driven by the increase in the number of restaurants, higher raw material costs, distribution expenses, as well as store pre-opening investments (i.e rent, training) that are incurred before a new restaurant is launched. The QSR segment recorded a ₦781 million loss before tax in FY 2022, against a ₦509 million Loss before tax in FY 2021.

Q4 2022

Revenue increased 53.9% YoY to ₦931 million in Q4 2022 (Q4 2021: ₦605 million) driven by expansion in company-owned restaurants (corporate stores). The segment recorded a ₦177 million operating loss in Q4 2022, an improvement from the ₦372 million operating loss in Q4 2021. The QSR segment recorded a ₦234 million loss before tax in Q4 2022, compared to a ₦326 million loss before tax in Q4 2021.

Associate: Real Estate (UPDC – 42.85% ownership)

UPDC's FY 2022 revenue was ₦5.9 billion compared to the ₦825 million recorded in FY 2021. Of the FY 2022 revenue, ₦5.1 billion is attributable to property sales compared to the same period last year where property sales recorded was ₦404 million. UPDC recorded an operating profit of ₦768 million in FY 2022 (FY 2021: ₦898 million operating loss). Net finance costs decreased by 39% YoY to ₦437 million.

After 6 consecutive years of losses, UPDC returned to profitability and recorded profit before tax of ₦331 million, compared to the ₦1.6 billion loss before tax recorded in FY 2021.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 27.6% YoY to ₦10.9 billion in FY 2022 from ₦8.6 billion in FY 2021, driven by addition of new haulage clients and upward review of rates for haulage services and pharma logistics. Operating profit was 279.6% higher YoY at ₦1.1 billion (2021: ₦293 million) on account of increase gross margin expansion supported by topline growth which offset the 56% increase operating expenses. MDS Logistics recorded a profit before tax of ₦284 million in FY 2022 compared to a loss before tax of ₦163 million in FY 2021, supported by improved topline performance and cost management initiatives.

For more information, please contact

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About UAC

UAC of Nigeria PLC (UAC) is a holding company with subsidiary and associate companies operating in the Animal Feeds and Other Edibles; Paints; Packaged Food and Beverages; Quick Service Restaurants; Logistics and Real Estate segments. UAC has played a prominent role in Nigeria's development for over a century. The company is focused on building its businesses into leaders in their chosen segments.

1. UAC has four operating platforms

Animal Feeds and Other Edibles

- Grand Cereals Limited (71.4% ownership) – a leading producer of cereals, edible oils, poultry feed, fish feed, ruminant feed and dog food. The company has production and distribution facilities in Northern and South Eastern Nigeria. It owns a portfolio of strong brands including Grand, Vital, and BestMate.
- Livestock Feeds PLC (73.3% ownership) – produces and distributes poultry feed, feed concentrates and full fat soya. The company recently expanded its offering to include veterinary drugs. Livestock Feeds' geographic strength is in South West Nigeria. The company is listed on The Nigerian Exchange ("NGX").

Paints

- Chemical and Allied Products PLC (57.9% ownership) – the leading paints and coatings company in Nigeria with a diversified product range spanning decorative and marine segments. CAP PLC is the sole technology licensee for AkzoNobel's decorative range in Nigeria and is also a distributor for Hempel's industrial products. The company's brand portfolio is comprised of Dulux, Sandtex, Caplux, and Hempel. The company benefits from a unique distribution model - franchised retail outlets, which it pioneered in Nigeria's paint industry. CAP PLC is listed on NGX.

Packaged Food and Beverages

- UAC Foods Limited (100% ownership) – a leading player in the packaged food and beverages industry with three distinct business segments – snacks, ice-cream, and spring water. It owns iconic brands such as Gala, SWAN Spring Water, Supreme and Funtime.

Quick Service Restaurants

- UAC Restaurants Limited (51% ownership) - a joint venture with Famous Brands, manages the network of Quick Service Restaurants across Nigeria under the Mr Bigg's and Debonairs Pizza brands.

2. UAC owns minority stakes in Logistics and Real Estate businesses

Logistics

- MDS Logistics Limited (43% ownership) - a leading logistics provider in Nigeria, offers the complete suite of outbound logistics and supply chain services including Warehousing, Haulage and Distribution.

Real Estate

- UPDC PLC (42.9% ownership) - a leading property development and management company quoted on NGX.

For more information visit www.uacnplc.com

Disclaimer

This announcement contains or will contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward- looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. UAC of Nigeria PLC cautions readers that several factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Company's disclosure materials filed from time to time with the Securities and Exchange Commission. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.